First Rate® Market Review - July 2007

U.S. Economy

In July 2007, we have witnessed a major correction in the developed global markets with all of the wealthy G-7 countries and almost all EAFE countries posting losses. The exception was in the Emerging Markets which posted a 5.28% return.

Economic growth has been moderate during the first half of 2007. The financial markets have been volatile in July and early August with tightening credit conditions for many households and businesses. The Federal Open Market Committee met on August 7 and decided to keep its target federal funds rate at 5 ¼ %. At the risk of slowing market growth, the Fed has focused on containing inflation and did not reduce rates. This allows free market forces to adjust problems for financial firms such as Bear Stearns, Bank of America, JPMorgan Chase and Citigroup that are in pain from the lack of liquidity in the sub-prime mortgage market. In many cases these are the same firms that have posted record high earnings in the past few years.

Sub-prime lending or lending to people with poor credit histories was supported by low interest rates and money supplied through the central banks. Commercial banks were able to lend out many times the amount they had on deposit with the central banks. This extended lending started to come apart with the recent global increases in interest rates and the related difficulties of sub-prime borrowers making repayments as their adjustable rate increased. Lending institutions have been forced to recognize significant losses with the devaluation of their loan portfolios.

The losses from sub-prime mortgages have spread through the credit markets and have impacted banks and brokerage firms both in the U.S. and abroad. The London interbank rate or Libor jumped up in early August from 5.35% to 5.86% as evidence of the global liquidity squeeze. The U.S. dollar continues to fall in the global currency markets. If the Fed lowers interest rates to provide liquidity to financial firms, other problems will be created such as continued depreciation of the dollar and a sell-off by foreign investors of more U.S. securities.

TREASURY YIELDS

Maturity	1 Mo	3 Mos	1 Yr	5 Yrs	10 Yrs	20 Yrs	30 Yrs
12-29-06	4.75	5.02	5.00	4.70	4.71	4.91	4.81
7-30-07	5.13	4.96	4.85	4.60	4.78	5.00	4.92
Change	0.38	(0.06)	(0.15)	(0.10)	0.07	0.09	0.11
6-29-07	4.28	4.82	4.91	4.92	5.03	5.21	5.12
7-30-07	5.13	4.96	4.85	4.60	4.78	5.00	4.92
Change	0.85	0.14	(0.06)	(0.32)	(0.25)	(0.21)	(0.20)

U.S. Bond Performance

In July 2007, the U.S. Treasury yield curve flattened as the very short end (1-3 months) went up 85 and 14 basis points and the intermediate and long end yields fell in a 20 to 32 basis point range. Performance was generally positive for the U.S. bond market with the Lehman Aggregate posting a 83 basis point return in July. Performance was stronger in the global markets where the Lehman Global Aggregate returned 2.03%. The Lehman Municipal Bond and High Yield indices returned 0.77% and (3.54%), respectively.

Bond Indices - Total Return

Index	July 2007	YTD 2007
Lehman Global Aggregate	2.03	2.43
Lehman U. S. Aggregate	0.83	1.82
Lehman Municipal Bond	0.77	0.92
Lehman U. S. Treasury 1-3 Year	0.89	3.02
Lehman High Yield Bond	(3.54)	(0.77)

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During the first seven months of 2007, U.S. Treasury yields on one month issues rose 38 basis points from 4.75% to 5.13%. U.S. Treasury yields declined in the 3 month to 5 year range between 6 and 15 basis points. In the 10 year to 30 year range, the yields rose slightly from 7 to 11 basis points. The Lehman U.S. Aggregate and Global Aggregate indices returned 1.82% and 2.43%, respectively on a year-to-date basis through July. During the same period the Lehman Municipal Bond and High Yield indices returned 0.92% and (0.77%), respectively.

U.S. Stock Market

During the month of July 2007, there was a major correction in the U.S. Stock market with declines in major broad market indices ranging from 3.16% to 3.41%. This reduced the year-to-date performance for the broad indices to a range from 3.46% to 4.86%. During July, there were declines across the board for the major indices by capitalization and style. The declines tended to be less for the large-cap growth indices in the (1.20%) to (1.55%) range. The declines tended to be the most extreme for the small-cap arena with the small-cap value posting extreme declines in the (8.51%) to (9.54%) range. On a year-to-date basis, mid-cap issues posted the strongest performance and small-cap issues the weakest performance.

During July 2007, the top three performing sectors in the S&P 500 with respect to price changes were: Industrials 1.00%, Energy 0.71%, and Information Technology (0.46%). The bottom three performers during the month were: Financials (7.95%), Consumer Discretionary (5.83%) and Health Care (4.41%). On a year-to-date basis, the top three S&P 500 sector performers were: Energy 17.10%, Materials 12.85% and Industrials 10.97%. The bottom three sector performers in this period were: Financials (9.79%), Consumer Discretionary (3.56%), and Health Care 0.58%.

Broad Markets	July 2007	YTD 2007
NASDAQ Comp	(2.21)	5.40
MSCI-U.S. Broad	(3.40)	3.89
Russell 3000	(3.41)	3.46
PPCA Total	(3.16)	4.86
Morningstar	(3.31)	4.10

Large Cap Stocks		July 2007	YTD 2007
S & P 500		(3.10)	3.64
Russell 1000		(3.09)	3.87
	Growth	(1.55)	6.45
	Value	(4.62)	1.32
Morningstar		(2.74)	3.79
	Growth	(1.42)	6.52
	Value	(4.69)	1.30
	Core	(2.05)	3.82
PPCA		(2.42)	4.53
	Growth	(1.20)	6.44
	Value	(3.69)	3.70
	Core	(1.03)	4.08

S & P 500 Sector Performance
Price Change %

Sector	July 2007	YTD 2007
Energy	0.71	17.10
Materials	(2.28)	12.85
Industrials	1.00	10.97
Consumer Discretionary	(5.83)	(3.56)
Consumer Staples	(2.38)	1.27
Health Care	(4.41)	0.58
Financials	(7.95)	(9.79)
Information Technology	(0.46)	8.47
Telecommunications Srvcs	(2.89)	10.30
Utilities	(3.82)	3.14
S&P 500	(3.20)	2.61

MidCap Stocks		July 2007	YTD 2007
S & P 400		(4.31)	7.16
Morningstar		(4.28)	6.43
	Growth	(1.15)	12.92
	Value	(6.73)	0.93
	Core	(4.99)	5.63
PPCA		(3.87)	7.43
	Growth	(2.15)	10.40
	Value	(5.08)	4.76
	Core	(4.55)	7.42

Small Cap Stocks		July 2007	YTD 2007
S & P 600		(5.05)	3.08
Russell 2000		(6.84)	(0.83)
	Growth	(5.19)	3.65
	Value	(8.51)	(5.04)
Morningstar		(6.55)	0.66
	Growth	(4.01)	6.27
	Value	(9.54)	(6.02)
	Core	(6.41)	1.45
PPCA		(6.17)	0.48
	Growth	(6.54)	(1.04)
	Value	(6.58)	(1.06)
	Core	(5.04)	5.00

Global Markets

For the month of July 2007, the EAFE Index return was (1.54%). The top three country performers were: Hong Kong 6.98%, Denmark 3.77% and Greece 2.37%. The bottom three country performers in this period were: Ireland (7.99%), Austria (4.96%) and Belgium (4.02%). On a year-to-date basis, the EAFE returned 7.38%. On a year-to-date basis, the top three country performers were: Finland 28.53%, Portugal 23.63% and Singapore 23.15%. For the same period the three lowest country performers were: Ireland (5.59%), Italy 2.14% and Japan 2.68%.

The MSCI Emerging Market Index returned 5.28% during July 2007. The top three country performers were: Turkey 15.04%, Thailand 14.32% and Peru 13.59%. The bottom three country performers in this period were: Sri Lanka (8.27%), Jordan (4.49%) and Mexico (4.11%). On a year-to-date basis the MSCI Emerging Market Index returned 23.75%. On a year-to-date basis the top three country performers were: Peru 89.59%, Turkey 52.08% and Thailand 39.45%. The bottom three country performers in this period were: Jordan (0.44%), Russia 1.80% and Argentina 3.43%.

The MSCI G7 Index measures the performance of the world's seven most wealthy countries and includes the following, along with their respective percentage weightings: Canada (15%), U.S. (30%), Japan (20%), Germany (10%), France (10%), Britain (10%) and Italy (5%).

During the month of July 2007, the G7 Index returned (2.65%). All seven countries posted negative performance in July. The top three country performers in July were: Japan (0.16%), Canada (0.26%) and Britain (2.50%). The bottom three country performers in this period were: Germany (3.65%), France (3.53%) and the United States (3.12%). On a year-to-date basis, the top three country performers were: Germany 19.56%, Canada 18.22% and France 8.96%. For the same period, the bottom three country performers were: Italy 2.14%, Japan 2.68%, and the United States 3.60%.

Net Total Return of MSCI Indices (U.S. $)

Overseas Markets	July 2007	YTD 2007
The World Index	(2.28)	5.54
The World Index (Ex U.S.)	(1.45)	8.05
EAFE	(1.54)	7.38
Europe	(2.20)	8.00
Far East	0.36	3.47
Emerging Markets	5.28	23.75

G7-Developed Country Performance (U.S. $) MSCI Indices

Index	July 2007	YTD 2007
G7 Index	(2.65)	4.54
Britain	(2.50)	8.05
Canada	(0.26)	18.22
France	(3.53)	8.96
Germany	(3.65)	19.56
Italy	(2.87)	2.14
Japan	(0.16)	2.68
United States	(3.12)	3.60